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A Plea for Free Coinage.

Mr. St. John's Views on Financial Legislation Before the Senate.

AN APPEAL TO THE FINANCE COMMITTEE—FACTS AND FIGURES SUBMITTED, WITH REPLIES TO OBJECTIONS.

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MR. ST. JOHN'S VIEWS ON FINANCIAL LEGISLATION BEFORE THE SENATE.

AN APPEAL TO THE FINANCE COMMITTEE—FACTS AND FIGURES SUBMITTED, WITH REPLIES TO OBJECTIONS.

[New York Tribune, January 5, 1891.]

The following letter on financial legislation has been sent to the Committee on Finance of the United States Senate by William P. St. John, president of the Mercantile National Bank, of this city:

"In evident recognition of the widespread popular demand for liberal financial legislation, your committee is said to have entertained several differing propositions and reported a measure intended to increase the volume of money by means of a new issue of United States bonds, payable after ten years, and bearing interest at the rate of 2 per cent. per annum, upon the expressed expectation that the National banks will purchase and hypothecate these bonds for a profitable note-issue.

"I submit that a large element in the community, who possess Government bonds as something available to borrow on or to save taxation, have been holding 4½ per cent. bonds in the face of a market premium at which the net annual income realized is less than 1½ per cent. per annum. On this basis a ten-year 2 per cent. bond would command a market premium of from 4 to 6 per cent., while the National banks could not afford to purchase them for a profitable note issue at exceeding par. But if the bonds were furnished to the bank directly at par, the likely market premium subsequently obtainable would induce sales of them, and by just so much effect a new contraction of the currency.

"A second proposition which your committee is said to have reported favorably would require the Treasury to purchase Wall Street's stock of silver, an accumula-

tion occasioned by speculation as to silver legislation, and which, if purchased, as proposed, will only temporarily disturb the Indian exchanges and thereby tend to create a new accumulation subsequently.

"The aggressive efforts in the Senate are those ditected, at every opportunity, toward the adoption of equally free coinage for gold and silver. An impression current here is that some measure involving such free-coinage as its basal proposition will shortly be passed to the President for his veto or approval. Another impression disturbing many is that anxiety as to what may be enacted is to be continuous until some measure is adopted, or until the session ends in March.

"Firmly convinced myself that the adoption of such free-coinage would be entirely safe and eminently wise; that existing trade conditions make the present a peculiarly propitious moment for that adoption; that the resulting scare predicted by our foreign bankers may be directed to the material enhancement of our own prosperity, I unhesitatingly commend that adoption now immediately. Nevertheless, waiving these convictions, I beg to direct your special attention to a proposition of compromise which is already informally before the Senate, as amendments proposed by Senator Plumb, December 9, to Senate Bill No. 3,842, and of which the title may be freely paraphrased as follows: 'A bill to grant the demand of the fiercest advocate of free coinage for silver, while at the same time assuring the gold mono-metallist with all the wealth, pride of character, and affirmrtive law of the United States, that all the money put into circulation thereby shall be practically gold paper.'

"I will not, uninvited, detail the merits of this proposition. If enacted, it will appear in association with one section of the Act of July 14, 1890, that the gold mono-metallist is thereby made contentedly secure, while free coinage of silver is put upon its actual trial by the people. But inasmuch as free coinage of silver is at the base of this proposal, I submit some facts, as follows, in refutation of proclaimed objections to free coinage:

"1. It is objected that foreign silver would flood our reopened mints.

"I reply that British India's mints for years past have been, still are, and will continue to be open to her unlimited legal-tender silver at a coinage valuation 7 per cent. higher than our reopened mints would value silver. Therefore, when once the level of the Indian exchanges shall be established upon our mint price, as our adoption of free coinage will establish it, thereafter all foreign silver which has heretofore sought the In-

dian mints will naturally and for profit continue to seek them in preference to our own.

"For facts in proof I submit the following as to India: For the fiscal year ending 1877 her net imports of silver were $35,000,000, and the average price of silver $1.15 per ounce; fiscal year ending 1878, imports, $70,000,000; average price, $1.20 per ounce; fiscal year ending 1884, net imports, $30,000,000; average price, $1.11; fiscal year ending 1886, net imports, $56,000,000; average price, $1.03 per ounce; calendar year 1889, net imports in India about $70,000,000; average price, about 95 cents per ounce. Her level of exchanges is not dependent upon high or low prices of silver, but upon trade conditions and the steadiness of its price.

"But some insist that the French or German governments might overwhelm our reopened mints with their silver money. In reply, let me state that continental Europe is annually indebted to India exceeding in gross the sum of $75,000,000; that the Germans are excellent as merchants as are the French as financiers, and that both, like the American, may be relied upon to choose, when parting with their money, to part with it for profit rather than in certainty of loss. Therefore, with the German Government and the French Government alike neglecting annually to trade out their supposed surplus silver through the agency of their merchants and their financiers in settlement of so great indebtedness to India annually, but electing instead to permit their merchants and financiers to settle this great trade balance annually with Council bills bought in London and paid for in gold or its equivalent, they cannot be assumed by intelligent Americans to be possessed of any surplus silver with which to flood our mints. Neglecting thus to ship any surplus silver for recoining into rupees at a gain in the exchange and in settlement of debt, they will not choose instead to recoin into our silver dollars at a lois in the exchange, the difference being 7 per cent. between these operations and when the trade indebtedness is invariably ours.

"Directly in connection with this I submit a reference to Ottmar Haupt, whom our American foreign bankers were last year designating the most eminent of European statisticians, and who, in December, 1889, predicted as the result of our then pending legislation, afterward adopted in July, a like avalanche of Europe's silver. He then stated that Germany had vast sums of idle silver awaiting a market, and that the bank of France held a large amount of Belgian silver money boxed for shipment in demand of gold. Subsequently he revised these first conclusions. 'The *London Economist*,' in printing this second letter, dated Paris,

August 14, 1890, says: 'The subject with which Mr. Haupt deals is one on which he can claim to speak with some authority, for there are few who have given more attention than he to monetary statistics and monetary 'affairs.' The purport of the letter of Mr. Haupt thus referred to is to argue with statistics that the United States cannot annually obtain its present Treasury requirement of silver, and, therefore, that $1 for 371¼ grains of silver, or $1.2929 per ounce fine, is to rule as the minimum market price of silver in the immediate future. He states: 'Neither will Germany sell any more thalers nor Italy her demonetized Bourbonian piastres; nay, even little Roumania looks already mournfully on the 25,000,000 francs of five-lei pieces disposed of to a group of Viennese bankers.'

"But if no flood of foreign silver is actually to frighten us, our foreign bankers next excite their own and our domestic bankers' fears with a suspected overwhelming return from Europe of their investments in our prime securities.

"Gentlemen, the embarrassment of Messrs. Baring Brothers was intimated to the inside few some weeks before our public had suspected such a possibility, and our American foreign bankers and their European correspondents were not slow to hurl upon our market their only thinks available as cash in the foreseen emergency. The danger of any additional return of our securities from Europe you can estimate, but you may need to be reminded that it is due to our amply meeting these demands already, supported by a large trade balance in our favor, that current rates or sterling bills of exchange have ruled so low of late. While our $380,000,000 silver coin and certificates are circulating side by side with gold, prime sterling bills and cable transfers have been and still are obtainable at less than par of exchange.

"It is, of course, to be imagined that under the instigation of our American foreign bankers, whose sincerity is not in question, and provided our Treasury conduct shall take color from their views, we might indeed have a repetition of the conditions of July, 1886, when, under a Treasury official who had been a bank officer in New York, our receipts for customs, which had been in January 53 per cent. in gold, were altered in July to 97 per cent. in silver and greenbacks, and only 3 per cent. in gold. But for assurance of prompt recovery again, if such a thing occurs, observe that the average receipts from customs here for the month of December, 1890, were 88 per cent. in gold. Also in result of fears, when allowed to dictate our Treasury policy, recall the fact that in the period to which I

referred, July, 1886, when only 233,500,000 of silver dollars had been coined, 97,745,900 of these coins, in excess of all outstanding certificates, were accumulated in the Treasury as though worthless merchandise. Yet under a different Treasury conduct subsequently, and notwithstanding our additional silver dollar coinage of $147,000,000, less than 500,000 of these dollars lay idle in the Treasury, together with less than $2,000,000 in the current cash, the entire remaining sum of the $381-000,000 being afloat in coin, or by certificates as money, December, 1890.

"But if no foreign silver is to flood our re-opened mint and if their is no important return of our securities, but untold fears remain that we shall lose our gold, be reminded of the repeated prophecies, sincere enough, but always failures, as to a like result to follow our Silver Coinage act of 1878. Observe that since that date, in all the period to December 31, 1890, there were but three years in which our gold exports exceeded our gold imports for the year, and with $50,000,000 as the largest net export for any year. On the other hand, we had one year of this period in which the surplus import of gold exceeded $77,000,000, and another year in which the net import of gold exceeded $97,000,-000. So that as the result of this period of twelve years to date our net surplus gain of gold by importations exceeds the sum of $185,000,000, and during these same twelve years to December 31, 1890, the mines of the United States have yielded $375,000,000 of new gold.

"A word or two here as to the prevailing impression that there is at present a vast overproduction of silver, which in the long run would burden our reopened mints. The past and present proportionate production of gold and silver in the world is of importance to note, as follows, and let it be remembered, too, that for a period of seventy years following 1803 the mints of France were equally open to their legal-tender gold and silver coinage at a valuation for silver more than 3 per cent. higher than our mints value it. In the period of 100 years to 1801, of the total production of gold and silver, 65 per cent. was silver. In the subsequent forty years to 1840, 71 per cent. was silver. In the ten years following to 1850, 47 per cent. was silver. In twenty five years to 1875, only 29 per cent. was silver; but again in the ten years following to 1885, 68 per cent was silver; yet for the one year, 1889, in which the largest annual silver production in all history appears, only 58 per cent. of the total money metal production was silver. During the last twenty years the world's coining of silver has exceeded the world's production of silver, showing recoinages.

"Finally, if our foreign bankers, our domestic bankers, and such of our merchants as the undoubted sincerity of our bankers shall so influence, are to cherish still their fears, and without established facts on which to base them, then, gentlemen of the committee, I beg you to avail of these timidities to enhance directly and importantly the prosperity of the United States. Seize upon the present opportunity of auspicious trade conditions to reopen our mints forthwith to gold and silver. If, then, the locking up of gold shall follow, as predicted, then be ready to witness the next result as follows: Gold is money. To hord gold idle will occasion loss of interest. Prime sterling bills are gold at due-date. Sixty-day bills, with which are hypothecated grain or cotton, are available as investments, returning gold at due-date with the equivalent of interest on the investment for the interim. Any premium on gold prospectively obtainable would thus be assured the purchaser of sixty-day sterling bills, in addition to the interest, which he must sacrifice if he chooses instead to hoard his idle gold. Adopt free-coinage, then confirm predicted fears and the demand for sterling bills will advance the rates for sterling exchange immediately and importantly, which of all things is the one thing most needful to relieve our congested cotton centres and all our money markets, and in a single city, Memphis, Tenn., $8,000,000 worth of cotton is to-day reported stored.

"Adopt free coinage of silver immediately, and with these results, if our bankers' predictions are warranted, and thereby you rush our cotton and spare cereals to the seaboard, and on ship, and into money due to us from Europe, and thus so increasing the present balance as our credit in trade as shall give us title to important sums additional of England's over-precious gold. England threatens us no flood of silver at our mint, our most timid bankers will admit. Hence the immediate result of all foretold anxieties and at their worst is the eminent increase of the prosperity of our people. Adopt free coinage by the method hereinbefore designated, as a compromise, and you hazard nothing, meanwhile, if my predictions be not fulfilled.

"To members of your honorable committee I have stated privately certain facts and conditions which support a sincere conviction that liberal financial legislation is become a present need, if the anticipation of a fair degree of general prosperity throughout the United States is to be allowed for us in 1891."

WILLIAM P. ST. JOHN.

NEW YORK, *January* 3, 1890.

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